

Consumer behaviour in the market of functional foods

Introduction

The literature is abundant in various definitions of functional foods. There is not a generally accepted definition as professionals have not come to a common agreement regarding what products belong to this category and what do not and whether food supplements or medicine like powder and capsules also belong to functional foods. Different approaches more or less share the opinion that these foods convey health benefits and have a favourable effect on general state of health. According to Childs and Poryzees (1998) the products which have any special positive impact on our health are called nutraceuticals or nutritional foods, pharma food or medical foods, designer foods or super foods. In many cases they commonly go under the category of functional foods.

The market of functional foods

Functional foods are innovative products and the sources of innovation are the changing trends both in consumer behaviour and markets. In addition, the Hungarian economy is extremely open and reacts very sensitively to the movements in the international market. Hungarian consumers – with better access to information and changing their system of values - are highly receptive to national trends. Thus, performing analysis of international markets is very essential before conducting any evaluations of functional foods on the Hungarian market.

The pace of growth in sales of functional foods on the global market amounted to 35% in the years of 2002-2004 and the forecast is 27% in 2004-2009. The most dynamically growing regions are Latin America, Eastern Asia and Eastern Europe, where the market share was as high as \$4 bn in 2004¹. The rapidly expanding economies (for instance Hungary, due to changes in consumer habits) have considerable growing potentials. Health consciousness in these countries is gradually rising and as a result, the demand for functional foods is increasing. Longer and more intensive working hours, stress, urbanisation and economic growth also contribute to the growing demand for functional foods. Euromonitor International prophesied a 20% increase in the new economies in 2005-2009. In Russia, Poland and Hungary the growth will be slower and their market share in this segment of the food industry will not be considerable.

The driving forces on the global market are the same. The most important ones are increasing salaries of managers (middle and top), liberalisation, more intensive marketing campaigns, involvement of retail networks which are the most effective points of sales, increasing openness of customers to wellness and health consciousness, overweight and functional malnutrition.

The rigidity of legislation is *the most serious factor hindering the expansion of the functional food market* as it enforces strict regulations to labelling the products and to markings applied in advertisements.

Consumption and product trends

The market of functional foods is constantly changing. The consumers' needs are getting more refined and product requirements are getting higher. These factors should be taken into consideration in the course of innovation of functional products.

According to Sloan (2006) health and factors having any effect on it will play a more and more essential role in food consumption in the years to come as the demand for more convenient, delicious and efficient foods will increase. She identifies top 10 trends in the sector of functional foods:

¹ Source: The world's emerging markets- Christiana Benkouider, August 2005

1. Children at risk : more and more children face the risk of obesity, high blood pressure and three types of diabetes. The challenge of the future is to develop healthier foods for children.
2. Low calorie foods: in order to avoid obesity consumer awareness of eating low calorie foods and drinks is growing.
3. Phytochemicals: sales of antioxidants in the USA increased by 20% last year. 4 of every 10 consumer say that they eat fruit and vegetable to prevent getting ill..
4. Multiple benefits: Functional foods are expected to solve several issues at the same time. They have to be effective in the case of obesity, to prevent the development of high cholesterol level and to develop protection against heart diseases.
5. Healthy fats: due to the growing popularity of omega-3 fatty acids consumers are opting to healthier oils. They avoid the consumption of unhealthy types of fat.
6. Mature matters: almost in every affluent society the population ages and the number of elderly people are growing. Their demand for functional foods is increasing.
7. Glycemic index, gluten and grains: low-glycemic-index products will gain more and more popularity in the future. Gluten-free products will carve a bigger share in restaurants. The multifaceted health benefits of whole-grain products is gaining universal recognition.
8. Natural solutions: sales of organic food is expected to increase.
9. Boosting performance: a lot of consumers are very concerned about their energy level and eat functional food to gain extra energy
10. Fun favourites: almost every consumer expects healthier versions of their favourite foods: beverages made with 100% real fruit juice, calorie burning soft drinks.

Key factors of functional food marketing

There is a great need for good products, but it is not the main precondition for success. Marketing aimed at promoting the product also has to be success oriented. The most basic rule is to get to know and understand the consumer. Consumers targeting functional foods are usually well-educated, well informed and wealthy. The basic objective is to map their needs. In order to be successful on the market the message has to be repeated several times (on the label + in the media + in the doctor's office). The message primarily has to highlight the most important benefits of the product. Scepticism will always exist, so special attention has to be paid to trainings and education of consumers. Consumers can be asked: Do you want to take care of yourself? If you do, consume more functional foods.

According to several studies consumers *are not very responsive to food innovations*. Consequently, the marketing of functional foods has to focus on health benefits, (for instance cancer issues) and shaping a healthy image (e.g.: You will feel better if you consume them, You will be healthier and happier, etc.)

There are two basic approaches to functional foods: life or death marketing:

- Death marketing is based on negative motivations: e.g. avoid illnesses.
- Life marketing is built in positive motivations: for instance, be healthy and look better, feel better.

According to life marketing functional food has an added value (e.g.: increases intellectual potential). What is advisable to apply are as follows: bright colours, eye-catching pictures, such slogans as 'pleasure of wellness'. Product = health + convenience + pleasure, namely hedonism. Priority has to be given to pleasure. A typical example for this is probiotics

Death marketing approach is mainly more innovative and requires a lot of research as far as functional foods are concerned. It concentrates on special diseases or state of health, for instance drugs reducing cholesterol level. Its communication has to be more objective, factual and scientifically valid. The message has to explain the development of some kind of a disease. Achieved scientific results can also be used. Consumers are motivated by their own fears and concerns.

Life marketing is especially effective when health benefits are communicated in the message. Credibility of the message is of utmost importance.

Empirical research

In order to get a better insight into consumer habits related to functional foods in December 2006 an extensive research was conducted based on telephone interviews and questionnaires – involving well-founded interviews of target groups - on the whole territory of Hungary. 383 people were sampled (the reliability level is 95%, confidence interval is 5%). The sampling was quoted by counties and the number of women respondents was consciously higher (59.04%)

On the basis of most important results of our research it can be stated that leading a healthy way of life is essential for everybody in Hungary. Consumption of healthy food is given priority by respondents when they mean healthy life style. As far as diseases are concerned respondents consider cancer, heart, coronary diseases and high blood pressure the most serious. Diseases ranked second are as follows: heart , coronary diseases, cancer and locomotor disorders. The importance of eating healthy food was very essential to everybody. On the top of the list of TOP 10 health promoting foods were vegetables and fruit. On the other hand, consumers were ill-informed about functional foods as they never heard about them. Consumer motivation means purchasing functional foods because they have a favourable effect on health, are of preventive nature and improve general state of health. Every second respondent was worried about his performance and wanted to boost it. Keeping the right weight played an important role in 40% of consumers when they had to make a decision. Functional foods cannot replace medicines.

Applying factor analysis we found out that respondents considered that these foods had preventive functions and produced a beneficial effect on people's health, whereas the performance boosting function of the foods was linked with their modern and trendy concept.

High prices of functional foods, their poor availability and ill-informed people considerably hinder the consumption of these foods. These unfavourable factors have to be eliminated before the introduction of functional foods on the market. Primarily high prices produce negative impact on their sales. Only few respondents thought the taste to be worse than that of ordinary ones and only a low number of them did not like their appearance. The fact that consumers were ill informed largely contributed to low sales. There are few respondents who did not trust functional foods.

Consumers accept premium prices of functional foods. The majority pay 10-20% more for them, but a lot of buyers are willing to spend even 20-50% more. Products containing sunflower are sold with a surcharge.

While purchasing functional foods special attention has to be paid on the doctor's advice, product labels and the opinion of reference groups (friends, family members). The product label is an essential source of information. The opinion of reference groups is a driving force. Whereas the role played by commercial advertisements in this issue is not satisfactory. Almost every consumer agrees with the introduction of a trademark for functional foods. It would be advisable to initiate its guaranteed issuing as this move would provide consumers with an objective information about the product and the reliability of the message it communicates.

While the factors of communication variables were analysed two components were separated. Taking them into consideration it became obvious that the doctor's advice played a more important role in than the brand name or the commercial advertisement. As a result of this it can be stated that if we want to be successful in this field, our communication has to target not only conventional ATL methods, but to place the opinion makers in the centre of our communication mix because of the confidential character of the product.

Clusters

In order to determine the market segments cluster analysis was conducted. As a result of this four segments were identified the demography of which are shown in the table below:

	Health conscious women	Women with families	Distrustful	Managers
	K1	K2	K3	K4
age	26-35 years	35-59 years	60 + years	14-25years, 26-35 years
sex	female	female	male	male
marital status		married	married	single
residence	county seat, other cities	county seat	county seat, other cities	Budapest
occupation	unemployed, retired	entrepreneur, intellectual	manual worker, retired	student, entrepreneur, intellectual
leading position	no	yes	no	yes
earning per capita	50-100 000 HUF	under 50 000 HUF	100-150 000 HUF	above 150 000 HUF

Tables showing the characteristic features of clusters:

	Health conscious	Women of families	Distrustful	Managers
	K1	K2	K3	K4
How important do you consider healthy eating habits?	very important	more important than the average	less important than the average	more important than the average
How important do you consider healthy lifestyle?	very important	more important than the average	less important than the average	more important than the average
What means a healthy lifestyle in your life?		doing sports		wellness
What diseases do you worry about?	cancer	obesity		immunological
Have you heard of functional or health-enhancing foods?	less than the average	more than the average		
They boost my performance	xx			
They improve my state of health	xx	x		
They have a favourable effect on my health	xx	xx		x
They are trendy, modern	xx	xx		x
They help prevent certain diseases.	xx	x		
They help keep my weight	xx	x		
They replace drugs	xxx	x		

	Health conscious	Women of families	Distrustful	Managers
	K1	K2	K3	K4
Higher prices of FF than the average	nn	x	n	xx
Worse taste of FF than the average	x	n	x	x
Worse appearance of FF than the average	x	nn	x	x
Little information is available about FF (I do not know them)	x	x	x	
Poor availability of FF			x	
I do not trust favourable effects of FF	average	more than average	does not believe	hesitates
What is the max you would spend on FF compared to conventional ones?	more than the average (22-23%)	average (14%)	less than the average (7%)	average (15%)

	Health conscious	Women of families	Distrustful	Managers
	K1	K2	K3	K4
brand name			nn	xx
information about ingredients		xx		
opinion of friends, family members	n	x	n	x
commercial advertisements	n	n	n	x
doctor's advice	n	xx		n
How much do you agree with the introduction of trademark for FF to make them easily recognisable?	xx		n	x

Signs: x means more than the average

xx means extremely

Advantaged groups

Taking into consideration national trends, orientations as well as results of our primary research three main target groups can be defined:

Conscious young people: they can identify the health hazards and the need for healthy meals which have a serious effect on their everyday general state of health. They consider shaping their ego image, the creation of their own style, following the latest fashion and influential effects of other communication and advertising tools very important. This is very typical to the young generation of 18-30 who are in a very specific situation and spend their time studying, doing sports and having fun. They are eager consumers of ready made products and their combinations.

Mothers of the family: this category of consumers is based on nurturing and modern family approach. It comprises parents who teach their children how to lead a healthy way of life and eat healthy food right from their birth, housewives who care about their family members and females who wish to be healthy, stay young and beautiful. Modern way of thinking combined with race and simplicity lays emphasis on health. They are consumers of food and beverages rich in fiber and low in fat and sugar. Apart from consuming ready-made food they are the major consumers of semi-ready products. This segment is the largest.

Active decision makers: it is a target group the members of which are in leading positions, (managers) lead a stressful way of life and suffer from lack of time. Prevention of diseases, increase of their performance and wellness stand in the centre of their food consumption. Race is an essential part of their lives and inseparable from their occupation. Prestige is important for them, too. They are also consumers of ready-made foods and their variations.

Positioning

Positioning of functional foods has to meet basic consumer needs. According to Gilbert (2000) there are five golden rules for positioning functional foods:

1. *Prevention:* The consumption of functional foods can prevent the development of certain diseases. Key words used in their positioning are: long life, good quality of life.
2. *Performance:* We communicate that we can be healthy and our physical and mental abilities increase if we consume functional foods. The emphasis is on daily health, accomplishment and success.

3. *Wellness*: for consumers wellness benefits of functional foods mean feeling good and finding balance. These goods have to embody holistic approach: the unity of health, body, spirit and soul. Emphasis is laid on daily health needs, moderation and variety.
4. *Nurturing*: Foods the consumption of which supply the feeling of caring for the health of others and their quality of life and builds on the sense of satisfaction for the caregiver: I have done something for the others today, too. The key words are growth, development and healing.
5. *Cosmetics*: The consumption of functional foods makes you look beautiful and better than the others. It increases self-esteem through improved physical condition and acceptance of personal appearance.

Success-oriented market introduction

In order to achieve market success by innovation the following steps have to be made while introducing functional foods on the market:

1. To identify the relationship between the composition of food and its effect on health
2. To highlight the efficiency of functional foods: how much food has to be consumed to achieve the desired results
3. To justify the safety of consumption of functional foods
4. To develop functional food enhanced with bioactive components
5. To apply scientific justification to prove the favourable effect of functional foods
6. To communicate consumer benefits
7. To test their safety and efficiency on the market

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